

## **AUDIT SUMMARY**

Our audit of the **Southwest Virginia Higher Education Center** for the year ended June 30, 1998, found:

- no material weaknesses in the internal control structures;
- no material noncompliance with applicable laws and regulations tested that we are required to report;
- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System (CARS); and
- proper recording and reporting of gifts and income from the investment of gift revenues (local funds), in all material respects.

December 16, 1998

The Honorable James S. Gilmore, III  
Governor of Virginia  
State Capitol  
Richmond, Virginia

The Honorable Richard J. Holland  
Chairman, Joint Legislative Audit and  
Review Commission  
General Assembly Building  
Richmond, Virginia

#### AGENCY BACKGROUND

The Southwest Virginia Higher Education Center (the Center) works to encourage the expansion of higher education in southwest Virginia. The Center coordinates the development and delivery of continuing education, facilitates the delivery of teacher training programs, and develops specific goals for higher education in the region, in coordination with the State Council of Higher Education for Virginia. The Center's collaborative partners are Clinch Valley College, Radford University, the University of Virginia, Virginia Highlands Community College, and Virginia Polytechnic Institute and State University. The Center's associates are George Mason University, Old Dominion University, and Virginia Commonwealth University.

The Center began by offering undergraduate and graduate courses at the University of Virginia Division of Continuing Education office in Abingdon, Virginia. In 1993, the Commonwealth issued \$9.9 million in General Obligation Bonds to fund construction of the Center facility, an 89,000 square-foot building, located at Virginia Highlands Community College. Ground breaking ceremonies for the new facility took place on October 26, 1994. The Center's staff moved into its new facilities and began holding classes in the new facility on January 29, 1998.

The Center does not employ faculty or award credit hours itself. The Center's partner institutions and associates employ faculty and award credit hours and degrees to students. Total enrollment for classes held at the Center during the fall semester of 1997 were 250 students in 21 different degree programs from five institutions. In the spring semester of 1998, five institutions had a total enrollment of 333 students in 27 different degree programs conducted at the new facilities. During the year, the total headcount was 268 in undergraduate courses and 701 in graduate courses.

Part of the Center's mission statement is enhance and promote economic development and growth in southwest Virginia. From January 29, 1998 until April 30, 1998, the Center leased rooms for over 113 events. Some of these events were state agency meetings and training and the remainder included trade shows, banquets, interviews, and seminars held by for-profit organizations. The Center charges these organizations for use of its facilities.

The following table summarizes the financial activity for the year ended June 30, 1998:

	<u>Operating Funds</u>	<u>Capital Outlay Funds</u>
Revenues and other additions:		
Appropriations	\$ 841,526	\$ 3,920,910
Local grants and contracts	-	38,945
Federal grants and contracts	-	500,000
Private gifts	5,800	-
Proceeds from Treasury Board loan	<u>-</u>	<u>367,364</u>
Total revenues and other additions	847,326	4,827,219
Expenditures	<u>850,226</u>	<u>4,560,335</u>
Net increase/ (decrease)	(2,900)	266,884
Balance carried forward from fiscal 1997	<u>297,876</u>	<u>6,962</u>
Balance carried forward to fiscal 1999	<u>\$ 294,976</u>	<u>\$ 273,846</u>

#### INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of the Southwest Virginia Higher Education Center for the year ended June 30, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

#### Audit Objective, Scope, and Methodology

Our audit's primary objectives were to evaluate the Center's accuracy of recording financial transactions in the Commonwealth Accounting and Reporting System and in the Center's financial accounting system, adequacy of the internal control structure, and compliance with applicable laws and regulations.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Center's operations. These procedures included reviews of documents and records at the University of Virginia, which provides administrative support for the Center. We also tested transactions and performed such other auditing procedures as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations, over significant cycles, classes of transactions, and account balances.

We obtained an understanding of the relevant policies and procedures for internal accounting controls. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Center's policies and procedures were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations.

The Center's management has responsibility for establishing and maintaining an internal control structure and complying with applicable laws and regulations. The objectives of an internal control structure are to provide reasonable, but not absolute, assurance that assets are safeguarded and that transactions are processed in accordance with management's authorization, properly recorded, and comply with applicable laws and regulations.

Our audit was more limited than would be necessary to provide an opinion on the internal control structure or on overall compliance with laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of the internal control structure to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

#### Audit Conclusions

We found that the Center properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System (CARS) and in its financial accounting system. The Center records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The financial information presented in this report came directly from CARS and the financial accounting system.

Our audit revealed no material weaknesses. A material weakness is a reportable condition in which the design or operation of specific internal control structure elements does not reduce to a relatively low level the risk that misstatement in amounts that would be material to the Center's financial operations and reporting may occur and not be detected promptly by employees in the normal course of performing their duties. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that may be material weaknesses.

The results of our tests of compliance disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

#### EXIT CONFERENCE

We discussed this report with the Executive Director on February 10, 1999.

AUDITOR OF PUBLIC ACCOUNTS

JHS:pym  
pym:40

SOUTHWEST VIRGINIA HIGHER EDUCATION CENTER  
Abingdon, Virginia

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